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C O N F I D E N T I A L SECTION 01 OF 03 KUWAIT 000088

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NEA/ARPI SWALKER, EB/ESC/TFS DBENDANA, S/CT TKUSHNER,
EUR/PGI LREASOR, NEA/RA, IO/PSC BFITZGERALD, NSC FOR
THINNEN, TREASURY FOR DGLASER AND OFAC DIRECTOR RWERNER

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SUBJECT: CENTRAL BANK DEP GOVERNOR TALKS TERROR FINANCE
WITH EB A/S WAYNE AND DAS SAEED

Classified By: Ambassador Richard LeBaron for reason 1.4 (b) and (d)

11. (C) Summary: A/S Wayne and Treasury DAS Ahmed Saeed met January 7 with Central Bank of Kuwait Deputy Governor Dr. Nabeel Al-Mannae and other Central Bank officials to discuss coordination of terror-finance interdiction and anti-money laundering initiatives. A/S Wayne was accompanied by the Ambassador, NEA/ARPI Deputy Director Steve Walker, EB Financial Economist Roland de Marcellus, and Econ Officer. Attending the meeting from the Central Bank were Manager of Onsite Supervision Yacoub Al-Ibrahim, Executive Director of the Supervision Sector Ibrahim Al-Qadhi, and Head of the Anti-Money Laundering Section Talal Al-Sayegh. A/S Wayne, encouraged by the work done so far through MENA-FATF efforts, asked that a draft of Kuwait's new TF/AML law be shared with USG counterparts as soon as it was available. Al-Mannae agreed that strong cooperation was needed, adding that the National Committee on Anti-Money Laundering and Terror Finance was finishing up the new draft law, and that it had taken into account all observations and recommendations made so far by outside parties. Al-Mannae also noted that Kuwait has signed the UN Convention for the Suppression of the Financing of Terrorism, and that it is currently pending ratification by the National Assembly.

12. (C) The Central Bank officials said that Kuwait's commercial and Islamic banks were taking very seriously their duties to help combat terror finance and money laundering. Observing that Kuwait was strongly regulating its charities, they noted that host countries have the principal responsibility for monitoring activities of branches of Kuwaiti charities operating abroad. The officials said that the new draft law mandated the declaration of cash currency over 3000 KD (\$10,000) coming in or going out of Kuwait, and that any transaction with a bank or exchange company over \$1000 currently requires personal identification. Wayne probed on oversight of charities operating overseas, and Central Bank officials suggested checking with MFA and Social Affairs ministries to get an update on Kuwaiti thinking. Wayne said U/S Levey would be visiting in several weeks to discuss these and other terrorist financing issues. End Summary.

Draft AML/TF Law "Almost Ready" For Review

14. (C) During a January 7 meeting with Central Bank Deputy Governor Dr. Nabeel Al-Mannae, EB A/S Wayne encouraged more cooperation on terror finance, commenting that the papers and other information coming out of the MENA-FATF initiative were "excellent." Al-Mannae agreed that cooperation was important, but added that we must "always be on alert" and that Kuwait "must keep developing its surveillance systems

and supervision."

15. (C) Noting that the current AML law had been in effect for a few years and that it was still "a learning process, with challenges," Al-Mannae said that it was important that Kuwait's FIU be able to freely share information with others, which was proposed in Kuwait's new draft TF/AML law. The National Committee on Anti-Money Laundering and Terror Finance had just about finished drafting the new law and the Chairman of the Committee would review the draft "shortly, within the next few months." It would then be sent to outside observers for recommendations and comment. The Committee could then incorporate any of these observations into the final product before sending it on to the GOK for its approval. Al-Ibrahim added that all of the recommendations of the past few years from the Treasury Department, FinCen, IMF and other groups had already been incorporated into the new draft legislation.

Banks Getting the Message

16. (C) Al-Mannae said that the attention being paid to TF/AML "is working" and that the banks "are being diligent" and have a "close working relationship" with the public prosecutor. He said that, upon receipt from the Ministry of Foreign Affairs, the Central Bank immediately circulates to all banks any new lists and terror finance designations sent by the UN, USG or any other entity. Al-Qadhi added that "the banks have recognized that it is in their interest to be diligent," and that "Know Your Customer" rules are easy to enforce in Kuwait "because the market is small."

17. (C) Al-Qadhi noted that the Islamic bank Kuwait Finance

KUWAIT 00000088 002 OF 003

House "in particular recognizes that they must be diligent" and explained how KFH was the financial institution that had notified the Central Bank that it was holding an account belonging to the brother of alleged Al-Qaida spokesman "Abu Ghaith." He said that KFH brought it to the attention of the Central Bank, rather than the other way around.

Islamic Banks Under Same Supervision As Commercial Banks

18. (C) Al-Mannae continued discussing KFH, noting that it is now under the same supervision as Kuwait's commercial banks, but that it is allowed to engage in other financial activities, such as participating in real estate holdings. He noted that "working under Sharia (Islamic law) does not give them any advantage that makes them less risky as a financial institution" than the commercial banks, and that "the supervisory policies are the same."

19. (C) Al-Mannae explained that Kuwait was a founding member of the Islamic Financial Services Board (IFSB), which counts as its members the Central Bank Governors or heads of the Monetary Agencies from Islamic countries. He noted that, within three years of its founding, the IFSB already had 120 members, counting the founding, associate and observer members. The purpose is to make sure standards are applied for Islamic banking worldwide, and that Kuwait "has the Chair of the IFSB this year," he stated. (Note: See <http://www.ifsb.org> for more information.)

Tightening Up On Charities

110. (C) Al-Mannae said that no charities in Kuwait are allowed any interaction with any financial institution unless licensed by the Ministry of Social Affairs and Labor, and that they must have a special license to be able to transfer money to overseas operations. He said the Central Bank makes sure that the commercial banks do not violate this rule and regular audits by a third party are required of the banks.

¶11. (C) Asked about the regulation of overseas branches of Kuwaiti charities, Al-Mannae said the GOK assumes that the governments of the countries in which the branches operate would provide oversight in their own countries and that, "practically, you can't supervise from here." Yacoub Al-Ibrahim admitted that he was "not sure this had been solved yet," and that "lots of questions remain on this," but agreed with Al-Mannae that it was the "role of the host country." He believed that, within the Ministry of Foreign Affairs, there was a department that provided general oversight for foreign operations of Kuwaiti charities, but also suggested talking to the Social Affairs Ministry.

¶12. (C) Al-Mannae said that, as far as he knew, overseas branches of Kuwaiti charities were supposed to "work in cooperation with Kuwait's embassies in the host country," in order to both facilitate their work and to ensure they are working within the proper regulations and laws. The Ambassador noted that Kuwait could be embarrassed by the activities of one individual or group in an overseas branch, to which Al-Mannae agreed that this was a concern.

Crackdown On Cash Transfers In New Legislation

¶13. (C) Asked about the status of cash currency declarations, Al-Mannae said the new legislation would mandate the declaration of any cash currency over 3000 KD (\$10,000) coming in or going out of Kuwait at any border point. He said the current law only called for declaration of 3000 KD or more when coming into Kuwait, but this procedure was not fully implemented. Al-Mannae added that banks and exchange companies are required to ask for identification for any transaction over \$1000, an idea he said they took from Western Union. He said the Central Bank tracks all exchange company transactions through a database, and that they had already applied substantial financial penalties against five companies for not following the proper regulations.

¶14. (C) Al-Mannae concluded by noting that he had recently sent some Central Bank staff for training in the U.S. by participating in a Department of the Treasury Office of the Comptroller of the Currency (OCC) investigation of a U.S. bank. He said his staff had benefited from this training and took it very seriously, even refusing to tell him the

KUWAIT 00000088 003 OF 003

specifics of the investigation because of the non-disclosure agreement they signed as part of the training program.

¶15. (C) A/S Wayne said Treasury U/S Levey would visit in several weeks to pursue further these and other issues related to terrorist finance.

¶16. (U) A/S Wayne and DAS Saeed have cleared this cable.

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LeBaron